

STATE OF IOWA
PROPERTY ASSESSMENT APPEAL BOARD

Betty Grandquist,
Appellant,

v.

Polk County Board of Review,
Appellee.

ORDER

Docket No. 13-77-0772
Parcel No. 030/04192-000-000

On September 23, 2014, the above-captioned appeal came on for hearing before the Iowa Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2)(a-b) (2013) and Iowa Administrative Code rules 701-71.21(1) et al. Attorney Nolden Gentry represented Appellant Betty Grandquist. Assistant County Attorney David Hibbard represented the Board of Review. Both parties submitted evidence to support their position. The Appeal Board now, having examined the entire record, heard the testimony, and being fully advised, finds:

Findings of Fact

Betty Grandquist, owner of property located at 697 18th Street, Des Moines, Iowa, appeals from the Polk County Board of Review decision reassessing her property. According to the property record card, the subject property is a two-story Victorian-style dwelling with a finished attic that has 4483 total square feet of living area. The dwelling also has a 1681-square-foot unfinished basement as well as a 42-square-foot, open porch. The improvements were built in 1885 and are located in the Sherman Hill Historical Residential District. The dwelling has high quality grade (2+10) and is in very good condition. Its site is 0.152-acres.

The real estate was classified residential on the initial assessment of January 1, 2013, and valued at \$341,800, representing \$29,700 in land value and \$312,100 in improvement value.

Grandquist protested to the Board of Review on the grounds that the property's assessment was not equitable compared to like properties in the taxing jurisdiction; the property was assessed for more than authorized by law; and there was an error in the assessment under Iowa Code sections 441.37(1)(a)(1), (2), and (4). The Board of Review granted the protest, in part, reducing the assessment to \$322,200, allocated as \$28,200 in land value and \$294,000 in improvement value.

Grandquist then filed her appeal with this Board on the same grounds. She claims \$300,000 is the actual value and fair assessment of the subject property. Because Grandquist's error claim essentially restates her claim of inequity, this Board will only consider her equity and over-assessment claims.

On her Board of Review protest form, Grandquist identified two properties she felt were comparable to her property. The assessments are \$227,200 and \$593,500, or \$37.34 to \$81.11 per-square-foot. Grandquist's property total assessment and per-square-foot assessment are within the ranges of the assessments for the compared properties.

Address	Year Built	Grade	Condition	Neighborhood	Site	TSFLA	2013 AV	Assessed Value PSF
Subject	1885	2+10	VG	DM88/Z	0.152	4483	\$322,200	\$71.87
2100 University	1890	3-05	NML	DM95/Z	0.905	6085	\$227,200	\$37.34
1605 Woodland	1883	0+20	AB NML	DM88/Z	0.310	7317	\$593,500	\$81.11

We note the University Avenue property has a lower quality of construction (Grade 3-05) and condition, lacks air conditioning, and is in a different neighborhood than the subject. (Exhibits A & F). The subject property's location has a market adjustment of 1.176 (17.6% above its cost value), the University property has a .961 (-3.9% less than its cost value) market adjustment, and the Woodland property, has a 1.171 (17.1% above its cost value) market adjustment. (Exhibit B). Although only slightly higher than the market adjustment on Woodland, the subject property has the highest market adjustment of the three properties indicating it has a superior location. These factors would contribute

to lower assessed values for the comparable properties. Furthermore, Grandquist compared only the properties' assessments, which is insufficient to establish inequity. She did not provide any comparable sales data, or develop an assessment/sales ratio analysis.

Grandquist also questioned why her land value was greater than surrounding properties on a per-square-foot basis. She calculated her property is assessed at \$4.26 per-square-foot, while other properties have lower assessed values ranging from \$2.00 to \$3.83 per-square-foot.

Address	Lot Size SF	Land Assessed Value	Land AV PSF
Subject	6625	\$ 28,200	\$ 4.26
689 18th Street	15,000	\$ 30,000	\$ 2.00
692 17th Street	14,125	\$ 40,100	\$ 2.84
1605 Woodland	13,500	\$ 39,200	\$ 2.90
730 19th Street	8750	\$ 33,500	\$ 3.83
1623 Center Street	17,000	\$ 42,300	\$ 2.49
849 16th Street	8970	\$ 33,000	\$ 3.68
650 18th Street	7500	\$ 15,000	\$ 2.00

Deputy Assessor Amy Rasmussen testified on behalf of the Board of Review. She reported the properties at 689 18th Street and 650 18th Street were commercially classified and the land was valued differently than residential lots. She noted the property located at 650 18th Street has since been rehabbed into a residential dwelling and the 2014 land assessment is \$32,600, or \$4.35 per-square-foot, slightly higher than Grandquist's 2013 land assessment per-square-foot. Rasmussen explained residential properties are not valued solely on a per-square-foot basis. She indicated the county relies on a concept known as diminishing marginal utility, also known as the law of decreasing returns. This concept is the premise that there is a point of decreasing return and additional units beyond a certain point will not yield a return commensurate with the additional investment. *See APPRAISAL INSTITUTE, THE APPRAISAL OF REAL ESTATE* pp. 40 (13th ed. 2008) (discussing the law of decreasing returns). This explains why all the residential sites Grandquist listed have lower values on a per-square-foot

basis than hers. The closest residential properties in size located at 730 19th Street (8750 square feet) and 849 16th Street (8970 square feet) have values of \$3.83 and \$3.68 per-square-foot, which are valued more similarly to the Grandquist site.

We note that the price per-square-foot of a property, all else being equal, will decrease as a property's size increases. *Id.* This is a generally recognized appraisal theory. Thus, Grandquist's method utilizing properties larger than the subject, without adjustment, would likely undervalue the subject property.

At the request of this Board, the Board of Review provided an explanation of the pricing and method used for valuing property in the DM88/Z neighborhood. According to the method, the first 5000 square feet are priced at \$5 per-square-foot, or \$25,000. Square footage between 5001 and 43,560 square foot (one acre) is valued at \$1 per-square-foot for the portion of land over 5000 square feet. Properties from one acre to 40 acres are valued at \$0.29 per-square-foot for the portion of the land in excess of one acre. The total value is then multiplied by the market factor for the area to arrive at the land assessment. We note Grandquist's total is reduced by 10% for obsolescence. The following illustrates the method as applied to the residential properties identified by Grandquist.

Address	Lot Size	\$5 psf For 5000sf	\$1 psf For over 5000 sf	Total	Market Factor	Market Adjusted	AV-Rounded
Subject	6625	\$25,000	\$1,625	\$26,625	1.176	\$31,311	\$28,200
692 17th Street	14,125	\$25,000	\$9,125	\$34,125	1.176	\$40,131	\$40,100
1605 Woodland	13,500	\$25,000	\$8,500	\$33,500	1.171	\$39,229	\$39,200
730 19th Street	8750	\$25,000	\$3,750	\$28,750	unknown	unknown	\$33,500
1623 Center Street	17,000	\$25,000	\$12,000	\$37,000	1.143	\$42,291	\$42,300
849 16th Street	8970	\$25,000	\$3,970	\$28,970	1.140	\$33,026	\$33,000

Grandquist also believes a property located at 692 17th Street diminishes the value of her property. She provided photographs showing the damage and disrepair. (Exhibit 2). Grandquist reports this property was damaged by fire some 25 years ago, was declared a public nuisance in 2004,

and has been the subject of ongoing litigation by the City of Des Moines from 2004 through 2012. (Exhibit 3). According to a June 2014 article in the Des Moines Register, the property is a fire-damaged structure that has undergone repair for many years, but remains unfinished. It is open to the elements and the upper floor is structurally damaged. (Exhibit 1). The subject property's land and building had a 5% economic obsolescence adjustment because of this nuisance property, which was increased to 10% by the Board of Review in 2013.

Rasmussen testified guidelines are provided for assessor staff when determining the economic obsolescence adjustment to be applied for proximity to nuisance properties. These guidelines suggest a 5% nuisance adjustment; however, the amount can be over-ridden. No evidence of the subject property's fair market value was offered to support an increase in the nuisance adjustment.

The Board of Review provided property record cards for four additional properties. (Exhibits A, C, D & E). These properties are all located in a South of Grand neighborhood (DM94/Z) and the Northwest neighborhood (DM95/Z), not the Sherman Hill neighborhood where the subject property is located. (DM88/Z). The remaining property at 1605 Woodland is in Sherman Hill. (Exhibit B). It is two-story plus Victorian built in 1883 and remodeled in 2006 with 7317 total square feet of living area on a 0.310 acres site. The property has a superior construction quality than the subject and is in very good condition. The total 2013 assessment was \$593,500 in 2013, before the application of an urban revitalization adjustment, or \$81.11 per-square-foot, which is higher than the subject's assessment of \$71.87 per-square-foot.

Conclusions of Law

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. This Board is an agency and the provisions of the Administrative Procedure Act apply. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review, but considers only those grounds

presented to or considered by the Board of Review. §§ 441.37A(3)(a); 441.37A(1)(b). New or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption the assessed value is correct. § 441.37A(3)(a). However, the taxpayer has the burden of proof. § 441.21(3). This burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Richards v. Hardin County Bd. of Review*, 393 N.W.2d 148, 151 (Iowa 1986).

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). Market value essentially is defined as the value established in an arm's-length sale of the property. *Id.* Sale prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* If sales are not available to determine market value then "other factors," such as income and/or cost, may be considered. § 441.21(2). The property's assessed value shall be one hundred percent of its actual value. § 441.21(1)(a).

To prove inequity, a taxpayer may show that an assessor did not apply an assessing method uniformly to similarly situated or comparable properties. *Eagle Food Centers v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 865 (Iowa 1993). Alternatively, a taxpayer may show the property is assessed higher proportionately than other like property using criteria set forth in *Maxwell v. Shivers*, 133 N.W.2d 709 (Iowa 1965). The six criteria include evidence showing

"(1) that there are several other properties within a reasonable area similar and comparable . . . (2) the amount of the assessments on those properties, (3) the actual value of the comparable properties, (4) the actual value of the [subject] property, (5) the assessment complained of, and (6) that by a comparison [the] property is assessed at a higher proportion of its actual value than the ratio existing between the assessed and the actual valuations of the similar and comparable properties, thus creating a discrimination."

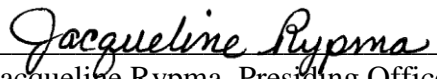
Id. at 711. The *Maxwell* test provides that inequity exists when, after considering the actual and assessed values of comparable properties, the subject property is assessed at a higher proportion of this actual value. *Id.* The *Maxwell* test may have limited applicability now that current Iowa law requires assessments to be at one hundred percent of market value. § 441.21(1). Nevertheless, in some rare instances, the test may be satisfied.

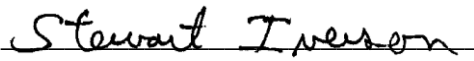
Grandquist offered seven properties she considered comparable to her for a land value equity analysis. Two of the properties were classified commercial and not comparable. The remaining properties are larger than her site. Grandquist does not believe the Assessor uniformly applied an assessing method to similarly situated or comparable properties, but the evidence does not support her assertion. Rasmussen testified all of the properties were assessed using the same method, considering the variations in size and concept of decreasing returns. Further, Grandquist did not provide any sales data to conduct an assessment/sales ratio study in order to analyze her equity claim. Grandquist did not prove by a preponderance of the evidence that her property is inequitably assessed under either the *Eagle Food* or *Maxwell* tests.

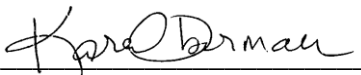
In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995). Grandquist did not provide any evidence of the fair market value of her property as of January 1, 2013, such as an appraisal, comparative market analysis, or comparable sales data to support her claim of over-assessment.

THE APPEAL BOARD ORDERS that the January 1, 2013, assessment as determined by the Polk County Board of Review is affirmed.

Dated this 3rd day of November, 2014.


Jacqueline Rypma, Presiding Officer


Stewart Iverson, Board Chair


Karen Oberman, Board Member

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